

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

June 6, 2007

The meeting convened at the office of Atascadero Mutual Water Company, 5005 El Camino Real, Atascadero, at 6:32 p.m., President Leroy Davis presiding. Others present were Vice President Rodger Vierra, Directors Robert Jones, Jackie Lerno, and Frank Platz, General Manager John Neil, Treasurer/CEO Ken Weathers, and Secretary Cheryl Powers.

PUBLIC COMMENT:

There was no public comment.

APPROVAL OF MINUTES:

A motion was made and seconded to approve the minutes of the regular meeting of May 9, 2007, and the Annual Meeting of Shareholders of May 9, 2007. The motion carried 5 to 0.

The following reports were reviewed:

OPERATIONS REPORT:

The Operations Report was available for review. The General Manager noted that the bar graph shows that Well 9A is not currently operating; he explained that it has been offline due to repairs and should be back online in a week. He also reported that Well 1B should be operational as soon as samples are analyzed and favorable lab results are received. The General Manager also noted that use is higher than projected and that trend is expected to continue.

FINANCIAL REPORT:

The Financial reports for April were available for review. The General Manager reported that they reflect the end-of-year numbers for fiscal year 06/07, and noted that, due to the building boom, capital revenue is way ahead of what was projected. He noted that meters are still being purchased, so we may meet our budget figures for 07/08.

CONSERVATION REPORT:

The Conservation report was available for review. The Conservation Manager reported that she has received numerous requests for home water surveys, likely because water bills have been higher due to the lack of rain this year. She reported that the birding outing and water management workshops were a huge success. Some upcoming conservation activities include storytime at the library and presentations to Third graders. She reported that she is evaluating the sprinklers that were installed at a home in The Lakes for low head drainage results.

The Manager's Report was available for review as follows:

ELECTION OF OFFICERS:

A motion was made and seconded to appoint officers as follows: President, Rodger Vierra; Vice President, Grigger Jones; Treasurer, Ken Weathers; Secretary, Cheryl Powers; Assistant Secretary, Lorraine Halderman. The motion carried 5 to 0.

WORKERS COMPENSATION INSURANCE:

The General Manager reported that our efforts to educate employees regarding safety have resulted in a drop in our workers compensation insurance rates. AMWC's experience modification rate dropped from 1.22 to 1.07 for the coverage year July 2006 – July 2007, and a refund is expected after the annual workers compensation audit.

LEAD & COPPER RULE TREATMENT:

AMWC's sampling plan has been submitted to DHS and staff is awaiting the results.

DATAPROSE:

The General Manager reported that Dataprose appears to have resolved most of the performance problems AMWC experienced in the past few months. There are still a few minor problems, but staff is working with Dataprose to resolve them.

ELECTRONIC PAYMENT:

The General Manager reported that staff has completed its investigation of the electronic payment option and that this issue was added to the agenda. Staff will be looking for Board action on this item when this agenda items is addressed later in the meeting.

WELL NO. 2A TRANSMISSION MAIN:

Staff is working with Mr. Raminha regarding the damage to the leach field on Syacmore Avenue. The General reported that Mr. Raminha has been cooperative and he is confident there will be a good resolution.

REPLACEMENT WELL NO. 1B:

The City has performed a final inspection of the well and staff is awaiting the results of the water quality samples. The well should be operational by the end of June.

SAN MARCOS TANK ROOF REPLACEMENT:

The General Manager reported that he is currently evaluating proposals received for the roof replacement alternatives. He noted that there is a significant difference in cost between replacing the existing plywood sheathing and membrane and replacing the roof with an aluminum dome.

FACILITY EXPANSION:

Staff has made changes to the site plan, such as trail access and moving the out-buildings closer to the shop, to reduce the amount of fill needed. Once the plan is revised, staff will resubmit the Conditional Use Permit application to the City.

The following new business was discussed:

WAIVER OF REQUIREMENT TO CONNECT, 11600 VIEJO CAMINO, BRIDWELL:

Mr. Bridwell explained that he has owned the property at 11600 Viejo since 1979. The property has a well on it, which is currently delivering only 9 gpm. He stated that he suspects that the dewatering Centex did on the property across El Camino Real has created this problem, and he is concerned the water won't come back even after a year of good rain. He stated that he is not looking for a "freebie" but wants to continue to keep using the property for agricultural purposes. He doesn't know how many gallons per minutes he could gain if he drilled a new well, so he is between a rock and a hard spot. He is just looking for direction and wants to find out what his options are.

The General Manager reported that the property does derive benefit from the water system, due to the fire hydrants nearby, but also stated that this situation puts the Board in uncharted waters, since the this type of issue related to a private well has not been addressed previously. It was noted that Mr. Bridwell has two rentals on the property, but the General Manager verified with Mr. Bridwell that they were built prior to Nov. 1978, so they are exempt from connection fees. After some discussion the Board made a motion to require Mr. Bridwell to hook up to the system with a minimum 5/8" meter before it gives him permission to drill and operate the replacement well. The motion carried 5 to 0. It was suggested that he could put his house on the meter and keep everything else on the well.

SITE LEASE, 6575 SYCAMORE AVENUE, SPRINT/NEXTEL:

The General Manger reported that he has been approached by SRESC, representing Sprint/Nextel, regarding leasing a telecommunications site at AMWC's yard at 6575 Sycamore Avenue. He stated that no one has been on the property to surmise it yet. He reported that he explained to SRESC the terms the Board had previously deemed acceptable for leases, and they came back with acceptable terms. The Board directed to General Manager to continue with negotiations.

ELECTRONIC PAYMENT OPTION:

Staff explained that the electronic/automatic payment option has been researched, and that it has been determined to be a service many shareholders are very interested in. Staff has reviewed the Santa Luica Bank contract and found it to be acceptable, as rights for users of the system can be limited to only transactions involving receiving payments. Staff reported that other agencies that were polled do not charge a fee for this service, and that the financial impact is minimal, with an initial computer programming cost of approximately \$2,400, monthly fees of \$20, and an annual charge of \$30 for a required handbook. A Board Member suggested that a separate bank account be set up for these transactions. A motion was made and seconded to move forward with the electronic payment option and establish and use a separate bank account for these transactions. The motion carried 5 to 0.

The CEO's Report was available for review as follows:

NACIMIENTO WATER PROJECT:

The CEO presented information regarding bond structure options available to AMWC. Specifically, he discussed debt service coverage, debt service reserve fund, capitalized interest, and variable or fixed rate of debt service. In addition, base cash flow projection, sensitivity analysis, bond borrowing alternatives, debt service reserve funds, and call provision analysis issues were discussed.

He stated that the project is out to bid, and that the opt-out period is July 25 through August 25. He reported that four of the five bids will be in before the beginning of the opt-out period and the other after the period begins.

The CEO stated that he will bring back more information regarding the options discussed at the next meeting, taking into consideration input he received from the Board at this meeting. He reported

that a final decision regarding these issues will not need to be made at the next meeting, but tentative decisions should be made. He also mentioned the need to let customers know that we are going to be making a big decision soon.

NEXT MEETING DATE AND TIME:

The next meeting is scheduled for July 11, 2007, at 6:30 p.m.

The meeting was adjourned.



Cheryl J. Powers, Secretary

APPROVED:

The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.




Leroy R. Davis, President



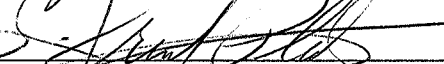
Rodger E. Vierra, Vice President



Robert M. Jones, Director



Jackie M. Lerno, Director



D. Frank Platz, Director